



Arnold Schwarzenegger
Governor

October 15, 2010
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Mr. Ernest B. Dowdy, Executive Director
City of San Bernardino Employment and Training Agency
600 N. Arrowhead Avenue
San Bernardino, CA 92401-1201

Dear Mr. Dowdy:

AMERICAN RECOVERY AND REINVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the City of San Bernardino Employment and Training Agency's (SBETA) financial management and procurement systems for activities funded by the American Recovery and Reinvestment Act of 2009 (ARRA) and Workforce Investment Act (WIA). This review was conducted by Mr. Dave Ajirogi from May 17, 2010 through May 20, 2010. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management. In addition, we reviewed the membership of SBETA's Local Workforce Investment Board (WIB) and Youth Council (YC).

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SBETA with applicable federal and state laws, regulations, policies, and directives related to the WIA and ARRA grants regarding financial management and procurement for PY 2009-10.

We collected the information for this report through interviews with representatives of SBETA, a review of applicable policies and procedures, and a review of documentation retained by SBETA for a sample of expenditures and procurements for PY 2009-10. We received your response to our draft report on August 26, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required and we consider the issue resolved. Additionally, your response adequately addressed finding 2 cited in the draft report, and no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 10120.

BACKGROUND

The SBETA was allocated ARRA funding in the amounts of: \$626,388 to serve adult participants; \$1,038,596 to serve youth participants; and \$795,630 to serve dislocated worker participants.

For the quarter ending March 31, 2010, SBETA reported the following ARRA expenditures and enrollments: \$192,430 to serve 52 adult participants; \$1,038,596 to serve 84 youth participants; and \$44,325 to serve 16 dislocated worker participants.

FISCAL REVIEW RESULTS

We concluded that, overall, SBETA is meeting applicable WIA and ARRA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, SBETA is meeting applicable WIA and ARRA requirements concerning procurement; we noted an instance of noncompliance in the area of small purchase. The finding we identified in this area, our recommendation, and SBETA's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 29 CFR Section 97.36(b)(4) states, in part, where appropriate, an analysis will be made to lease versus purchase alternatives to determine the most economical approach.

Workforce Investment Act Directive WIAD03-09 states, in part, that subrecipients must receive prior approval for any property purchase with per unit cost of \$5,000 or more from the awarding agency.

- Observation:** We observed that SBETA procured a server switch from Accent Computer Solutions Inc. in the amount of \$6,911.08 on June 24, 2010. SBETA was unable to provide documentation showing that it received prior approval from the state to charge these costs to WIA. In addition, SBETA was unable to provide documentation showing that it performed a lease versus purchase comparison prior to the decision of purchase.
- Recommendation:** We recommended that the SBETA provide documentation to the Compliance Review Office (CRO) showing that this purchase was approved by the State and that a lease versus purchase comparison was conducted.
- SBETA Response:** The SBETA provided documentation that the \$6,911.08 purchase referenced above was not for a switch, but was instead for server software. The \$6,911.08 purchase included Software, Installation, and Project Modification. The invoice that SBETA provided showed the cost breakdown as follows:

- \$565.00 for Microsoft Exchange 2007 Open License for Government;
- \$1,620 for 30 Microsoft Exchange 2007 Licenses for Government;
- \$27.00 for Microsoft Exchange Server 2007 Standard Edition;
- \$2,960 for Installation and configuration;
- \$1,540 for Project Modification – Outlook Anywhere Setup and;
- \$199.08 for Sales Tax.

State Conclusion: Based on the documentation provided by SBETA, we consider this finding resolved.

In addition to the above review results for SBETA's fiscal and procurement operations, we reviewed the membership of its WIB and YC for compliance. The finding we identified in this area, our recommendation, and SBETA's proposed resolution of the finding is specified below.

FINDING 2

Requirement: 20 CFR 661.315(a-f), states, in part, that the majority of the membership of the Local Board must be representatives of business in the local area.

Observation: We observed that SBETA's WIB is missing three business representatives from the local area. Out of a total of 43 members, 19 members represent local businesses. Two seats were vacated in August 2008, and one in March 2009.

Recommendation: We recommended that SBETA provide CRO with a corrective action plan, including a timeline, for appointing new local business representatives to their WIB. We also recommended that SBETA provide CRO with a copy of the updated WIB membership roster after the positions were filled.

SBETA Response: The SBETA stated their WIB's membership has accepted applications for business representatives. The SBETA and San Bernardino City Mayor's Office will complete the application process within 75-90 days and will provide an updated WIB membership roster reflecting the new appointments.

State Conclusion: The SBETA stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive a finalized copy of the updated WIB membership roster reflecting the new appointments. Until then, this issue remains open and has been assigned CATS number 10120.

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Office. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 8, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is SBETA's responsibility to ensure that its systems, programs, and related activities comply with the WIA and ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SBETA's responsibility.

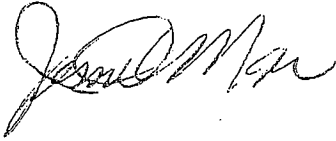
Mr. Ernest B. Dowdy

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October 15, 2010

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mrs. Jennifer Shane at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Steven Amezcua, MIC 50
Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50